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# AGENDA FOR ECONOMIC DEVELOPMENT

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AGENDA FOR ECONOMIC DEVELOPMENT

A Report of the Mayor's Policy Committee

to

Mayor Abraham D. Beame



City of New York

NYC DCP 75-03/February 1975

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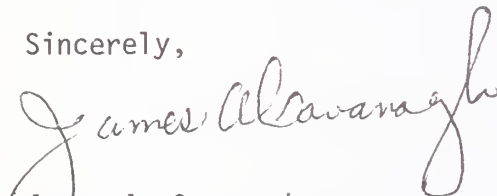
February 14, 1975

Dear Mayor Beame:

At your request, the Mayor's Policy Committee has examined various aspects of the City's economy. We find it is basically strong, but threatened.

While national and international events beyond our control affect us profoundly, there are steps the City can and must take. This policy paper outlines those actions and activities. It is a current agenda for economic development, a strategy for dealing with present realities.

Sincerely,



James A. Cavanagh  
Deputy Mayor

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# The Context

The City's economic lifeline is tied to national policies and events beyond our borders. We expand and contract with the tides of the business cycle. We are dependent on a fair share of Federal resources. Our economy is also diversified and resilient.

The City can ride out the storm--but the toll of concurrent recession and inflation has been immense.

- More than 270,000 New Yorkers are now out of work. Unemployment exceeds 8.5 per cent and could hit 10 per cent in the first half of 1975.
- Total jobs<sup>1</sup> in the City have declined from approximately 3.55 million in 1973 to 3.48 million in December of 1974 and could drop to a 1975 average of 3.41 million by the end of the year.
- Basic industries have been hard hit; the annual volume of construction has declined over the past five years by more than 40 per cent--and unemployment in the industry is estimated at from 15 to 20 per cent.
- The costs of government have soared, while revenues have sagged, requiring the sharpest municipal cutbacks since the Depression.

The short-term picture is not as bleak in New York as in other older urban areas. And, over the longer pull, the City has the tenacity and inherent strengths to rebound and prosper.

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<sup>1</sup>  
All wage and salary jobs.



The City's large and diversified economic base, with more than 170,000 businesses, has enabled it to adapt to evolutionary forces resulting in a gradual shift in the City's job mix. The loss of manufacturing jobs (down more than 220,000 from 1963 through 1973) has been made up by gains in business and personal services (up 148,000 in the same period) and government jobs (up 132,000). Diversity has also insulated the City from the shocks and dislocation suffered by areas dependent on one or two faltering manufacturing giants or a single industrial sector.

The City is a magnet for the nation's top corporations. It can service them as nowhere else with the talents and brainpower they need. The City is at the core of the country's most profitable market area, has a large labor pool with many specialists, excellent transportation links, and is the national center of finance, communication, international trade, the arts, tourism and retailing.

This cluster of major corporations is the critical mass around which revolves a network of support activities providing additional white collar employment. The departure of a blue-chip firm may grab the headlines, but the number of employees in manufacturing headquarters operations in Manhattan actually increased between 1967 and 1973 from 90,000 to 100,000 workers.

The City held its own in employment from 1963 to 1973. While there were changes in different sectors of the economy, there was no erosion in the total number of jobs. However, since the recession all segments of the economy have declined. The long-term outlook for recovery is promising; but, that is no comfort for those now enduring the severe personal hardship inflicted by the worst downturn since the Depression. The fiscal crisis



facing local government here and across the nation underscores the gravity of the present situation.

The double crunch of inflation and recession hits at pressure points in the urban economy. The City is vulnerable to the drop in the stock market, the slowdown in finance and investment operations, the vagaries of the tourist trade and reductions in advertising, promotion and printing budgets. The urban economy dominated by small firms is vulnerable to strangulation by tight money policies. Small organizations generally have the least access to credit and the thinnest cushion. Their margin of survival--even in good times--is characteristically slim. Cities such as New York traditionally provide opportunity for entry level, low-skill workers. In times of crisis, these employees are hard hit and often have little or no back-up security. And, while City revenues drop, the need for services and their costs soar.

The President and Congress have recognized the necessity to respond to the present crisis. It is not clear, at this time, if that response will be adequate. The President's proposed tax rebate for individuals and increased tax credit for business would help. But, the efficacy and equities involved are questionable. An across the board rebate would not provide meaningful relief to low- and moderate-income families who need assistance most and who would be most likely to spend rather than save what they get. The President's declared intent of placing a moratorium on new Federal spending ignores the local burdens faced by municipalities in meeting burgeoning public assistance needs as well as in supporting housing, transportation and health programs. The proposed permanent tax cut should be combined with higher levels of national support for key programs.

The President's current oil policies could be disastrous for the City and the northeastern sector of the nation, which is almost totally dependent on imported petroleum. His decision to impose a \$3 per barrel tariff would result in an estimated 15 to 20 per cent hike in energy costs for those who rely on this fuel source. This would mean drastic--and unacceptable--increases in the costs of home heating oil, and energy for mass transit and industrial processing. While allowing the price of domestic crude to rise to cartel levels may reduce New York's competitive disadvantage, it will not reduce the toll of misery exacted by a deliberate policy of allowing inflation to drive up the price of necessities. In times of scarcity government must make value judgments. Some form of allocation system is required so that essential needs--like providing heat--can be met first while fuel for a Sunday drive comes second.

As the issues are joined concerning the appropriate course for Congress and the President to pursue, it is clear that the City must also act. We do not have the option of standing pat. The City can, and must, take the initiative to coordinate the efforts of the private and public sector so that the economy moves ahead purposefully.

This policy paper describes the direction we find most promising and outlines the City's current agenda for economic development.

# Policy Guidelines

Working with other governmental levels and the private sector, the City has three basic economic development goals:

- Increasing employment opportunities--quantitatively and qualitatively--so that residents will be able to find the jobs they want and firms will be able to find the workers they need.
- Expanding the tax base to pay for necessary government services.
- Fostering a hospitable climate for business and industry.

We must use existing tools aggressively and develop new mechanisms to keep existing firms, to attract new firms and new industries, and to match the needs of the labor market with the skills of the labor force through strategic, intensive vocational training and manpower development efforts.

We have prepared recommendations that fall into two broad categories:

- First, we must work with other levels of government to secure the legislation and funding we and other cities require. We must receive a fair share of economic development assistance, both directly (such as aids to business, public works and public employment) and indirectly (such as improvement projects funded by the State Rail Preservation Bond Issue). In addition, we will continue to pursue the City's interest with regulatory agencies, such as the Public Service Commission, to urge fair fuel pricing and an allocation system to insure that the City's manufacturers and businesses--as well as its residents--do not suffer competitive disadvantages compared to other areas.

- Secondly, the City will offer increased incentives for firms wishing to stay, expand or come to New York. We will work with labor and management to identify areas of mutual interest and develop an action program tailored to industry needs. This could include land use changes, capital investment or possible tax incentives that will make New York more competitive.

Many of these recommendations can be implemented in 1975. An immediate, coordinated effort is of critical importance. For if the short-term decline is too precipitous, it will be extremely difficult to recapture large numbers of jobs and establishments even after the national economy revives.

Proposals to improve the economy cannot be viewed independently from related policies to improve the City's environment and support systems.

Every sewer, roadway and school is also an economic development project. As outlined in the City's Housing Policy Statement, low- and moderate-income housing needs must be met. Dwellings for middle-management and top executives are also needed because they weigh in the balance of a company's locational decision. The urban economy is inextricably tied to a transportation network that provides low-cost mobility for workers and efficient goods movement for industry.

Large-scale construction projects support and stimulate the economy. No other single building project has the potential for so great an impact as the Convention Center. It will directly generate more business and jobs for the service sector which has taken up the slack caused by the decline in manufacturing. Indirectly, it will strengthen the linkages that make our economy

thrive. It will help sustain the multitude of specialized services and cultural and recreational attractions which headquarters companies seek and no other city provides. In bolstering the tourist and convention industry--itself a prime source of income for the City--the center would also contribute to the activity and life that make New York the preeminent headquarters city.

Another project with far-reaching economic implications is the proposed Westway development. Far more than a new highway decorated over with parks and a waterfront esplanade, it is a long-term and unique opportunity to channel and direct the future of the industrial and residential communities on Manhattan's west side. As an economic engine, it will spur rational growth and make existing industry more efficient.

# Recommendations

## ● I. Fair Share of Federal and State Resources

The City should take the lead in seeking a fair share of Federal and State economic assistance funds for urban areas. This is particularly timely and important as new governmental initiatives on both levels are being considered.

### FEDERAL PROGRAMS

#### Economic Development Administration

Federal Economic Development Administration (EDA) monies are still heavily allocated to rural or semi-rural areas, and cities get far less than their proportionate share. For example, funding levels for all Federal EDA programs totalled more than \$282 million for fiscal 1974. However, urban areas in which two-thirds of the nation's population lives\* received only 25 per cent of the total allocation. The projected share for these areas in 1975 is 27 per cent.

Under present Federal regulations, only three City areas--the Lower East Side, the South Bronx and the Brooklyn Navy Yard--are eligible for Federal EDA assistance which works toward the goal of expanding production and employment opportunities. Expanded eligibility criteria, as well as additional assistance, will be sought to spur economic activity throughout the City.

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\*Cities with populations of more than 50,000 and their surrounding cluster of suburbs (Standard Metropolitan Statistical Areas).



### Small Business Administration

Small firms with low credit ratings suffer most when money is tight. The New York economy is dominated by small firms. Eighty-seven per cent of all firms here have 20 or fewer employees. These firms are particularly vulnerable to the recessionary impact of tight money because they are least able to meet short-term demands when production is slack or receipts are delayed. Neither can they readily make adjustments requiring additional capital investments. Without help many of them could go under.

The Small Business Administration helps such firms, mainly by guaranteeing up to 90 per cent (or \$350,000, whichever is less) of a bank equity loan to an eligible firm. While the recent monetary situation has curtailed these kinds of loans, they are useful and should be expanded as credit eases.

Accelerating the pace and extent of the equity guarantee program should be a high priority, but there is a more critical problem. The most pressing need for small businesses now is for working capital to tide them over current difficult times. The only SBA loans for working capital are limited to businesses in areas hit by disasters, owned by Vietnam veterans, or displaced by Federal urban renewal projects.

Unless action is taken, thousands of small businesses, many in low-income neighborhoods, will not survive the year. We strongly recommend that the SBA increase the level of funding and make loans for working capital more generally available until the economy revives.



A revolving loan fund for working capital for firms ineligible on the basis of size for SBA loans should be established under the jurisdiction of the Federal EDA.

#### Federal Industrial Finance Corporation

This would be a new financing mechanism to provide capital for larger firms, deemed to be operating in the public interest, which are too big for SBA funding and which cannot get the funds they need from normal channels. The initial infusion of capital for the proposed Federal Industrial Finance Corporation would be raised by the U.S. Treasury. Loans would be made to help industries that provide some important service--such as goods movement or energy research and development. A similar mechanism was established in the 1930's (Reconstruction Finance Corporation) and it funneled more than \$10 billion into selected sectors of the economy. The Federal Industrial Finance Corporation would complement the President's proposed increase in investment tax credits.

#### Public Employment

Allocations of funds for public employment should be made not only on the basis of local unemployment rates, but also on the basis of job skills to be developed. New York City can develop a wide variety skills using public employment funds and should press for an adequate allocation of emergency employment funds.

To the extent possible, funds for public employment should be tied to additional funds for public improvements so that the City and nation get maximum results for the expenditures.

### Department of Defense Contracts and Facilities

The City will also work with the State so that the region can take greater advantage of less highly publicized Federal programs, such as priority treatment in the award of Department of Defense supply contracts. Firms are eligible for priority consideration if located in areas with 6 per cent or more unemployment, as certified by the Federal Manpower Administration. The City's Economic Development Administration will coordinate efforts with the New York State Department of Labor to make available information about regulations and certification procedures.

We will recommend that the City Congressional delegation work with other area representatives to seek legislation which would give municipalities priority consideration at minimal cost for defense facilities which are closed down within their boundaries. The Federal government should assume responsibility for providing employment opportunities for the people whose jobs it terminates. A Federal pullout should not become a local burden.

## STATE PROGRAMS

### Job Incentive Board

The State's Job Incentive Board (JIB) grants business tax credits to expanding industrial firms which have job training components. Benefits are restricted to certain eligible areas determined on the basis of the proportion of low-income residents. These areas do not necessarily correspond with areas suitable for industrial development. For example, a review shows that only 380 of the 2,635 industrial renewal acres designated by the City would be eligible for this State program--and all 380 acres are in Brooklyn. Furthermore, these sites bear little relationship to transit accessibility--a prime criterion for industrial development in urban areas. Only 125 eligible and designated acres are within one-quarter of a mile of a subway station.

The benefits of this State program should be extended to urban industry readily accessible to low-income residents by mass transit. Obviously many residents of low-income areas in New York travel to work outside their own neighborhoods. Job development programs to help residents of low-income areas should recognize that basic fact.

The formula for apportioning JIB tax credits is weighted for firms that are land intensive and capital intensive. New York City firms are characteristically labor intensive. The result has been that New York City, with 80 per cent of the State-wide urban census tracts eligible for program benefits, has received only 20 per cent of the value of the tax credits. An option allowing tax credits on the basis of the current formula, or on the basis of job concentration alone would be more equitable.

### Job Development Authority

The State Job Development Authority (JDA) provides second mortgage loans for manufacturing plants regardless of location. The Authority can provide up to 40 per cent of the construction cost at a 7.5 per cent interest rate (6.5 per cent for 30 per cent loans). The City contains 63 per cent of the total number of manufacturing firms in the State, but City firms have received only one-third of the JDA loans. We will seek a fairer share of these funds and seek approval for the financing of equipment as well as construction. We will also recommend that JDA finance more multi-tenant structures, passing cost benefits along to the many City firms that are renters.

## ●II. City Initiatives, Incentives and Coordination with the Public and Private Sector

The City has a key role as expediter, facilitator and promoter as well as investor in furthering its economic development in partnership with private industry. Carrying out this responsibility also requires coordination with other levels of government, particularly in relation to fiscal policy. This section deals with these activities.

### Review of Taxes Affecting Economic Development

There is a built-in interdependency in City-State relations. Both bodies are dependent on Federal policy. The City is a creature of the State and receives funds from it. The State receives a major share of its revenue from City residents and businesses.

We believe that it is particularly timely now for the City and State to reexamine their tax policies as they affect economic development. Changing conditions require the exploration of new approaches on a cooperative basis. For example, both City and State officials want to attract industry to this area. Yet there is no mechanism to review and coordinate tax policy to insure that the policies of both bodies are complementary and strategically sound. Questions of tax incentives for new or expanded plants should be reviewed in a broad context and the implications of such policy decisions thoroughly evaluated on a regional basis. Other matters affecting industry in the City and State, such as the search for new revenue sources, should be part of this review.

We recommend that a City-State Fiscal Commission be established to focus on fiscal and related policies affecting economic development. The Commission could explore a range of economic development issues of significance to the City's and State's ability to attract and hold industry. Among these would be consideration of tax incentives which would promote cooperation rather than rivalries.

#### Capital Investment (Public Funds)

The basic mechanism for direct capital investment is the City's capital budget. The pressures on the capital budget are severe. But, many economic development projects, such as the vital large-scale and vest-pocket industrial renewal programs, can be funded primarily with non debt-limit money because they are revenue producing.

The same is true for capital funds expended for basic market, terminal and waterfront improvements. In pursuing the latter objectives, for example, we are investing more than \$200 million on containerport facilities in Brooklyn's Northeast Marine Terminal and in Red Hook, and at Howland Hook in Staten Island. Such facilities are necessary for the City to remain competitive in coastal and international trade. Direct benefits are measured in waterfront jobs and jobs in auxiliary industries--from ocean freight forwarders who make the necessary transportation arrangements to equipment repair and supply companies which service the giant ships. Most significantly, reinforcing the port of New York as a center for world trade animates other key sectors of the economy.



### Mass Transit

We reaffirm the City's recommendations, as recently announced, to place its main priorities on fare stabilization, modernization and expansion of the system.

Mass transit is the cornerstone of the City's economy. A sizable fare increase would trigger a rise in the consumer price index, a rise in wages tied to the consumer price index, and a higher cost of doing business in New York as well as a decrease in ridership. The inflationary spiral would affect everyone in the City.

The City will accelerate its programs of improvements on the existing system, which accounts for more than 1 billion rides annually. We will also move ahead on the expansion program as expeditiously as possible, building the Queens trunk line first because that is the area of greatest need and the line with the largest investment to date.

### Capital Investment (Private sources)

The City has established a new agency to spur private industrial development, the Industrial Development Agency. It will operate with direction and staff support provided by the Economic Development Administration.

It has the power to float tax-exempt bonds for industrial development activities. The Economic Development Administration will establish an immediate and aggressive campaign involving members of the financial community, local industrial groups and industrial realtors to insure that the new program is utilized to its fullest potential.



As an ancillary effort, the Economic Development Administration will explore the establishment of a low-cost loan program through the clearing house of local banks in conjunction with City sponsored industrial development projects. The potential for establishing a risk-sharing pool to aid firms with lower credit ratings should also be examined.

#### Enhancement of Retailing

Retailing is one of the City's major employers and tourist attractions. It is a \$16 billion industry and generates some \$475 million for the City in sales taxes alone. The City can help this sector of the economy through capital outlays and its land use and zoning powers. We are encouraging retail development in Downtown Brooklyn, Jamaica Center and Fordham Plaza and will also focus on secondary retail centers such as 125th Street, Downtown Flushing and the Bronx Hub, and underserved areas such as Spring Creek.

We can strengthen neighborhood centers on a priority basis and evolve planning strategies to consolidate and support retail nodes. Community Development Act funds should be used to improve neighborhood shopping in areas where other community development investment is taking place.

Major new automobile-oriented shopping centers should be carefully evaluated to insure that they will not create traffic congestion nor erode neighborhood facilities. In this regard, zoning legislation has been passed giving the City greater control over the location of these facilities.

An interagency task force on commercial relocation has been established. We recommend that new incentives and relocation assistance be developed to prevent premature displacement of retail business through public action.

#### Conservation of Industrial Resources

There is a limited amount of land suitable for industry and it must be conserved. Modern plants tend to spread out and need reserve space for future expansion. We need not be inflexible in demanding that neighborhoods be either industrial or residential, but should continue to apply mixed-use zoning where appropriate, tailored to specific community needs.

New York City's first mixed-use district, in the Northside section of Greenpoint, Brooklyn, was adopted in September 1973. Two more mixed-use districts have since been enacted in Clinton (Manhattan) and Coney Island (Brooklyn). Under consideration for mixed-use zoning are Ridgewood and an extension of the Northside district.

In certain areas, lofts no longer needed for industry can be recycled for housing. Clearly, we cannot permit a wholesale conversion of loft space; but, neither should we ignore the reality of change. We are currently assessing the short- and long-term supply and demand for loft space to develop guidelines that would allow some conversions while protecting this vital resource -- particularly needed for incubator industries.

The continued development of large industrial parks is required to make well-located tracts of land available for future industrial

activities. The City should establish priorities for municipal investment in these facilities.

We recommend that the vest pocket urban renewal program be continued. The program has been successful in helping firms expand, and the City is committed to this approach.

A planning conference on the City's waterfront last year gave highest priority to jobs and economic activity. A follow-up task force is examining current and long-term economic development opportunities on the waterfront.

#### Distribution

Improved distribution systems can reduce the costs of doing business in the City, thus helping firms located here improve their competitive advantage.

Rail freight service is a vital part of the goods movement network in New York City. Modernization of existing rail facilities will improve safety and efficiency of operation. The recently approved State Rail Preservation Bond Issue will allow needed renovations, consolidation and improvements to be made to the City's rail freight network.

Most goods are shipped through the City by truck. Especially in Manhattan, local pickup and delivery costs by truck constitute a major portion of total shipment costs; consolidated facilities may offer a way to avoid the problems of inadequate street parking for trucks, and of inefficient loading facilities at older buildings. As advocated in the Westway report, the establishment of consolidated

goods handling facilities serving the east and west side of Manhattan, which would reduce the necessity of multiple deliveries by trailers within the congested portion of the City, will be pursued.

The truckers, public warehousers, wholesalers, import-exporters and repair companies which provide support services are often smaller establishments. While their many functions are not easily grouped together, without them commerce and industry in Manhattan would grind to a halt.

Air freight is a growing mole. The air freight industry is expected to grow through the 1980's, creating a need for adequate space at critical locations. The City, through its zoning policy, must ensure that the growth requirements of the air cargo industry can be met. As a matter of policy, we will reserve space for this expansion near Kennedy Airport.

#### Tourism

The City's Convention and Visitor's Bureau estimates that tourism is a \$1.25 billion industry in New York. Last year some 16 million visitors spent that amount in the City's hotels, theaters, movies, stores and restaurants. Their "imported" dollars filtered through the City's economy, nearly quadrupling in value. The qualities that make the City great also keep it strong. The renaissance in Soho and flourishing ballet companies reinforce the City's economy no less than its cultural preeminence. The new Convention Center and the spectacular hotel proposed by John Portman for Times Square will not only enhance the economy, but also support the City's great cultural,

entertainment and recreational attractions. Similarly, the proposed Broadway Mall improvement is also an economic development project.

#### Mayor's Labor Advisory Council

We believe a representative body of the largest unions in the private sector, key groups such as the Central Labor Council, and leaders of unions in smaller industries critically important to the City should be formed to meet with and advise the Mayor on policies and activities affecting their future. Such a group should be action-oriented and complement and guide City efforts in solving industry problems. The Labor Advisory Council could serve as an early warning system for firms contemplating leaving the area. It could help cut through red tape -- on all sides of an issue. Timely, incisive and coordinated action by labor, management and the City can be the difference between a firm staying or leaving. The council could, for example, provide a ready mechanism for working out the kind of solution that kept the Rheingold brewery in Brooklyn open.

#### Manpower Development

Both retraining and training programs are required if City residents are compete effectively in the local job market. Identification of skills demanded by City firms should be followed by well-tailored and well-targeted education-skills development programs. Industry and business should participate with City agencies in developing both aspects of the training process.

As far as feasible, Federal Comprehensive Employment Training Act manpower revenue sharing funds should be expended on development of skills which could be best utilized in the private sector.

The Economic Development Administration's on-the-job training component, tied exclusively to jobs in private industry and in selected public authorities, should be used to assist in job attraction and job retention programs.

Job-skills development begins in school. Both basic education and instruction in ways of preparing for the working world will ease the job search for new labor force entrants.

We recommend that a program linking vocational education, job training, and job development strategies be implemented through a Mayoral Council on Manpower. The council will include representatives of labor unions and industry as well as government officials and educators.

#### Economic Promotion Program

Promotional efforts are an important tool to attract new industry and jobs, and to demonstrate the advantages of remaining here. Rather than a one-shot approach, continuing communication between government, management and labor is necessary to reduce friction and promote mutually beneficial activities.

We recommend that the EDA expand its program of government-management-labor councils for the City's major industrial sectors. At present, industry breakfasts with the Mayor are being held monthly. Working relationships in the transportation, food marketing, printing, motion picture, television, sports and retailing areas are established. Travel, hospitality, manufacture, financial and other groups will be formed during 1975. Working groups should meet on at least a bi-monthly basis to serve as coordinating units for analysis and resolution



of economic problems.

New York City lacks appropriate publications to distribute to prospective clients, and these should be prepared and published. We should sell the reality of New York and promote its advantages and strengths. The City's image should not be presented exclusively by a few bad jokes on late night television.

Other service functions provided by such organizations as the Executive Volunteer Corps -- a group of retired business leaders who advise and assist the private sector -- are important to the overall effort to make New York a place sensitive and responsive to the problems and concerns of its businessmen.

#### Economic Impact Review

Many government decisions affect the total economy, or individual industries or firms. The extent to which development proposals might affect business costs or alter competitive advantages should be evaluated. This holds true for decisions affecting neighborhood facilities as well as regional ones.

The practices of various City departments contribute to the general business climate and to the cost of doing business. Such practices, dealing with traffic, parking regulations, environmental restrictions, licensing, building and other codes, as well as multiple jurisdictions add to the cost of doing business in New York City.

#### Growth Industries

Strengthening growth industries of the future is essential. A research study is being conducted to identify new and expanding



sectors in which New York will be able to develop new jobs during the next decade. There may be new or burgeoning industries which -- if identified early enough in the game -- could be attracted to and accommodated in New York.

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# Employment

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While there are cyclical patterns in employment, the long-term trend indicates that New York City's strength as a job-generating center is substantial. Despite recent down trends, the City still provides more jobs than Boston, Detroit, Baltimore and Philadelphia combined. Given the current national economic picture, the City will probably see further job losses. Once the national economy shows an upturn, a modest increase in local jobs is expected. However, it will take several years to return to prerecession levels.

## EMPLOYMENT

Job levels\* in New York City were about the same in 1963 and 1973.

Average 1963:	3.533 million jobs
Average 1973:	3.547 million jobs**

\*                    \*                    \*

Employment peaked in 1969 at 3.798 million.

\*                    \*                    \*

Starting with the 1970 recession, employment has declined each year.  
Employment in December of 1974 was down to 3.48 million, seasonally adjusted.

\*                    \*                    \*

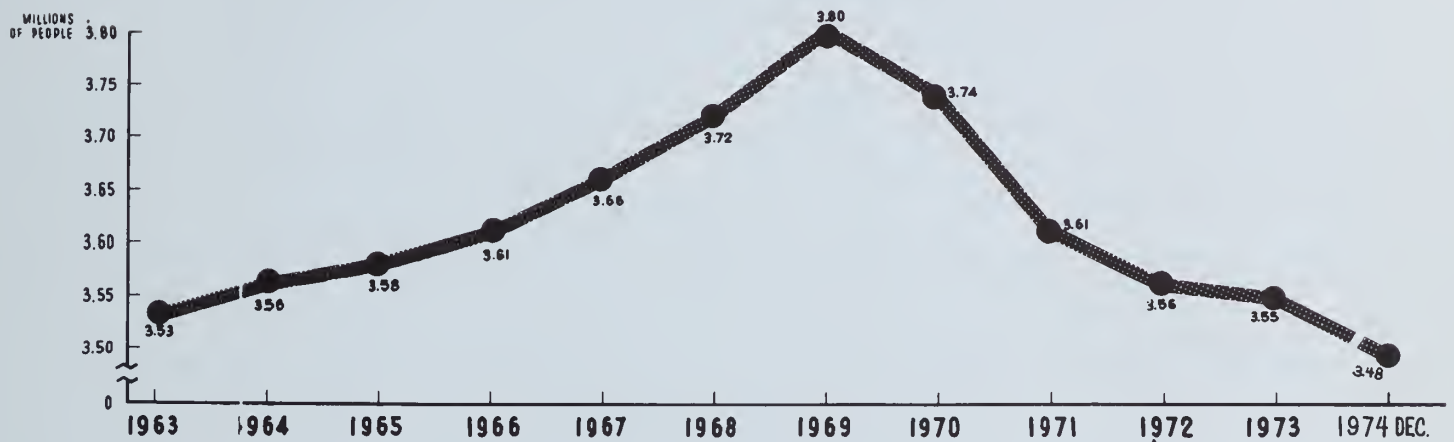
The complex of economic activities centered in New York City draws workers from all over the region. According to the 1970 Census there was a net in-commutation of over 470,000 non-New Yorkers, mostly in the higher paid managerial, administrative, and professional occupations. About 81 percent of New York City's jobs are held by New York City residents.

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\*Non-agricultural wage & salary employment  
\*\*Source: Bureau of Labor Statistics

# N.Y.C. TOTAL EMPLOYMENT \*

## 1963 - 1974



\* NON-AGRICULTURAL EMPLOYMENT

SOURCE: BUREAU OF LABOR STATISTICS

## UNEMPLOYMENT

New York's unemployment rate was 8.5 per cent in December of 1974 having increased as a result of the national recession.

In 1973 New York's unemployment rate (6 per cent) was below that of most other large metropolises.

Unemployment among teenagers, in excess of 20 per cent for 1973 was much higher than for the rest of the resident labor force. Especially hard hit are minority teenagers whose unemployment rate in recent years has been as high as 30 per cent.

New York's Black population had the lowest unemployment rate of most major urban centers in 1973.

The number of welfare recipients grew rapidly in the last decade. Almost 1,000,000 persons were welfare recipients in 1974. Although growth in the billion dollar welfare budget slowed in 1974, the City share (25%) still amounted to a substantial drain on its resources. In addition, there were about one-quarter million blind, disabled or aged individuals enrolled in the federally operated Sublimental Security Income program.



# UNEMPLOYMENT RATE-1973

## PERCENT UNEMPLOYMENT

CITY	TOTAL	WHITE	BLACK
N.Y.C.	6.0	5.7	7.2
LOS ANGELES	6.4	5.5	9.4
CHICAGO	4.9	3.3	8.7
PHILADELPHIA	6.8	4.4	8.7
DETROIT	9.1	6.6	12.1
SAN FRANCISCO	10.6	8.6	14.1
CLEVELAND	7.1	4.6	11.1

SOURCE: BUREAU OF LABOR STATISTICS



# Job Mix

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The shift in industry mix and occupational distribution in New York City parallels shifts in other major urban centers, particularly those older cities where land values, taxes, labor costs and other components of development costs and operating expenses appear relatively high for manufacturers. The rapid growth of services reflects increases in real income and has also occurred in all major cities.

New York City's large employment in the Finance, Insurance and Real Estate (FIRE) segments is one of its major economic assets. Employment in this sector depends on current conditions in investment markets and in recent years has reflected the national economic mood.

Headquarters functions remain a strong segment of the economy. Lowered rentals resulting from the excess of office space on the market probably contributed to the City's current holding power.

## JOB MIX

Gradual but significant shifts in employment are occurring among the various industries that comprise New York's economy.

Employment in transportation and public utilities has shown a moderate decline (5.3 per cent) from 1963 through 1973. Contract construction employment reflecting the building boom of the mid sixties, as against the more recent downturn, declined 22 per cent.

Jobs in manufacturing industries have declined over the last 10 years, continuing a trend that began after World War II.

1963: 878.7 thousand jobs  
1973: 658.9 thousand jobs

Absolute decline: 219.8 thousand jobs  
Percent decline: 25 per cent

White-collar industries have seen large employment increases over the last 10 years.

1963: 1.475 million jobs  
1973: 1.799 million jobs

Absolute increase: 324 thousand jobs  
Percent decline: 22 per cent

White-collar Industries are composed of:

- .Finance, Insurance, Real Estate (FIRE)
- .Services (health, personal, hotels and restuarants, business services not in FIRE)
- .Government

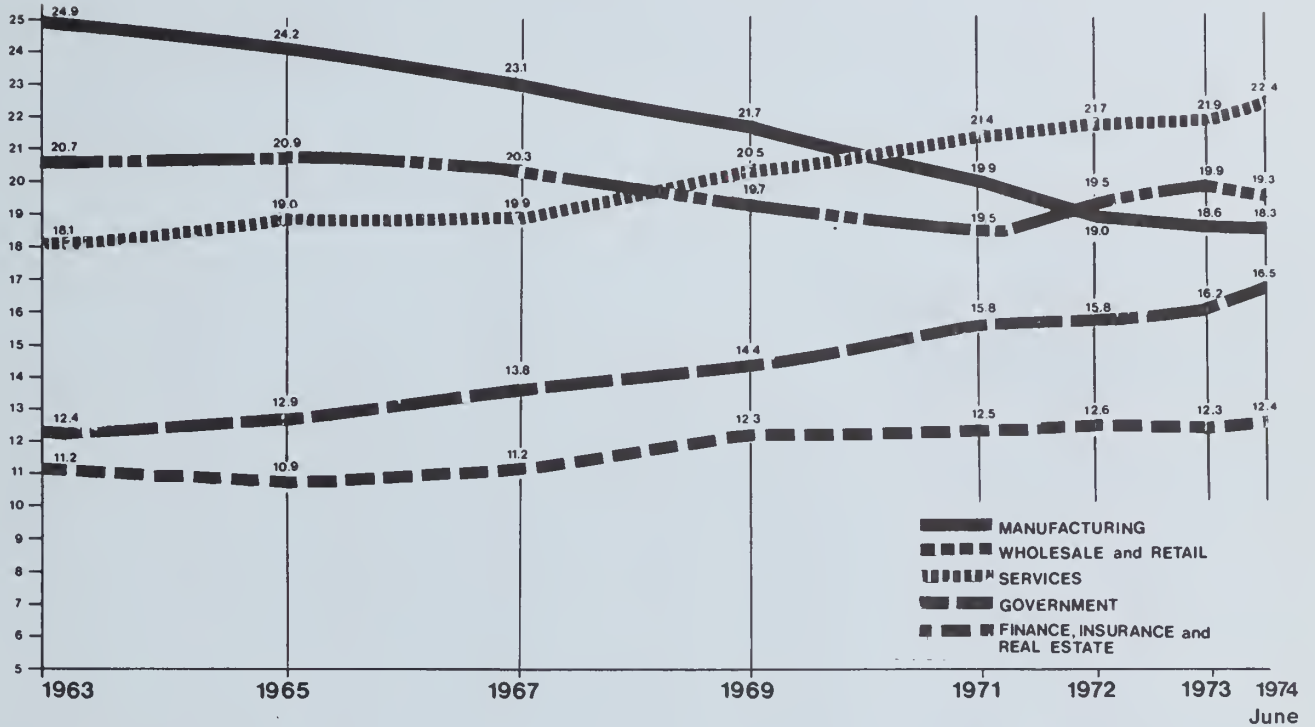
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Source: Bureau of Labor Statistics

# JOB MIX: SELECTED SECTORS

## NEW YORK CITY — 1963-1973/74

PERCENT OF  
N.Y.C.  
EMPLOYMENT



SOURCE: BUREAU OF LABOR STATISTICS

WAGE AND SALARY EMPLOYMENT BY SECTOR  
NEW YORK CITY 1963-1973

(in thousands)

	1963	1969	1973	Change 1963-1973	
				Number	Percent
Manufacturing	878.7	825.8	658.9	-219.8	-25.0
Mining	2.0	2.0	1.4	- 0.6	-30.0
Contract Construction	135.5	104.5	105.4	- 30.1	-22.2
Transportation and Utilities	309.5	323.9	293.2	- 16.3	- 5.3
Wholesale & Retail	731.6	749.1	689.4	- 42.2	- 5.8
Finance, Insurance & Real Estate	395.2	465.6	437.8	+ 42.6	+10.8
Services	640.8	779.8	788.8	+148.0	+23.1
Government	439.8	547.0	572.2	+132.4	+30.1
*TOTAL	3,532.9	3,797.7	3,547.0	+ 14.1	+ 0.4

\*Totals may not add due to rounding

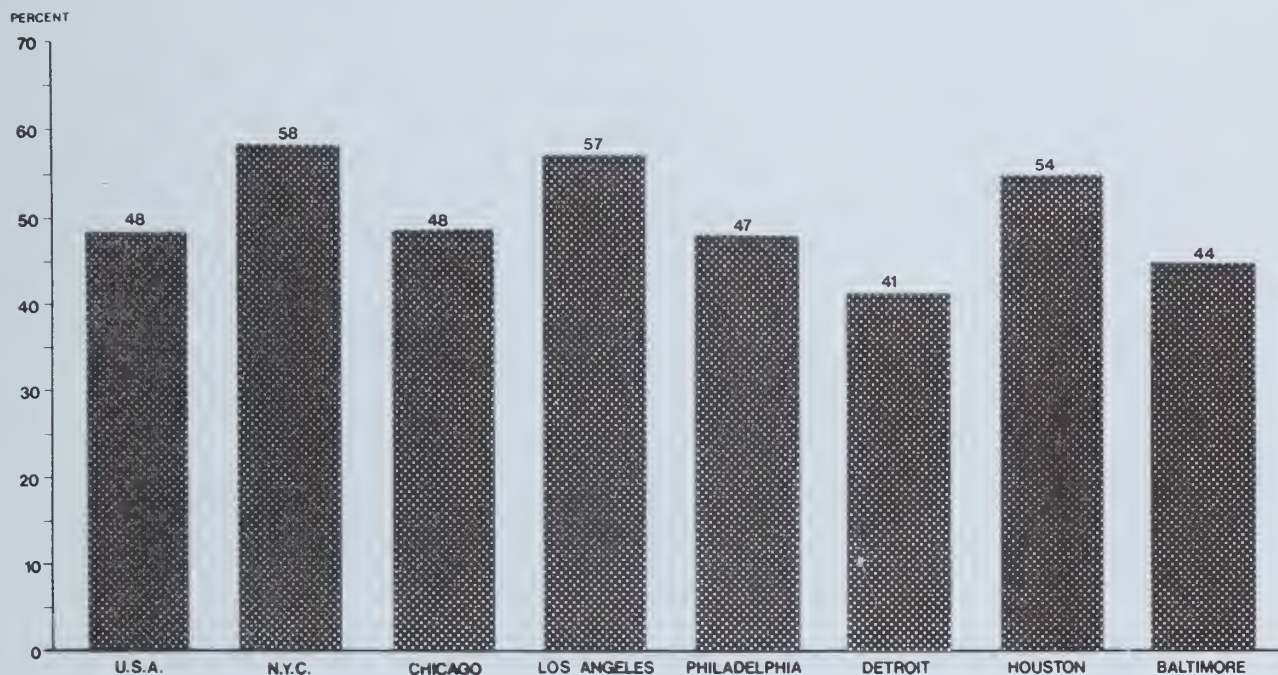
Source: New York State Department of Labor

New York has a greater proportion of jobs in white-collar industries than the nation as a whole. New York also leads most other major cities in the proportion of workers in white-collar occupations.

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Source: Bureau of Labor Statistics

## WHITE COLLAR OCCUPATIONS AS A PRO- PORTION OF TOTAL OCCUPATIONS— U.S.A. AND 7 LARGEST CITES, 1970



SOURCE: U.S. CENSUS



PROPORTION OF RESIDENT WORKERS IN  
WHITE-COLLAR OCCUPATIONS IN 1970\*

	<u>Per cent</u>
U.S.A.	48
New York City	58
Los Angeles	57
Chicago	48
Philadelphia	47
Detroit	42
Houston	54
Baltimore	44

White-collar occupations include:

Professional, technical and kindred workers  
Managers and administrators  
Sales workers  
Clerical workers

In 1970 New York City had about the same proportion of workers in white-collar occupations as the New York-New Jersey Standard Consolidated Area.

Minority groups in New York are being drawn into white-collar occupations.

PERCENT OF WORKERS IN MINORITY  
GROUPS IN WHITE-COLLAR OCCUPATIONS\*

	<u>1960</u>	<u>1970</u>
Total Workers	52	58
Nonwhite	29	44
Puerto Rican	19	33

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\*Source: U.S. Census of Population

# OCCUPATIONS BY RACE

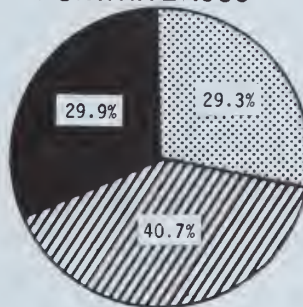
## N.Y.C. 1960 & 1970

EMPLOYED RESIDENT LABOR FORCE, EXCEPT FARM

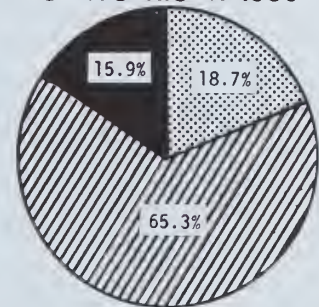
TOTAL 1960



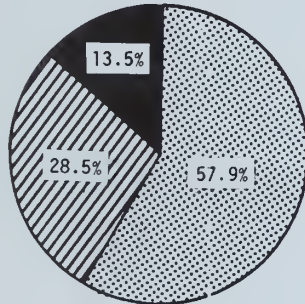
NONWHITE 1960



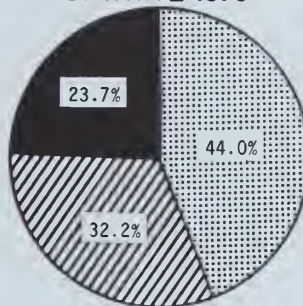
PUERTO RICAN 1960



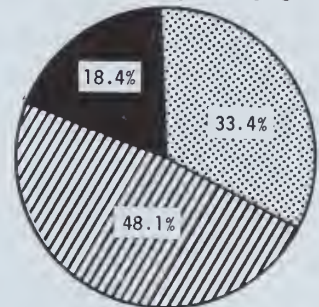
TOTAL 1970



NONWHITE 1970




PUERTO RICAN 1970



 WHITE COLLAR

 BLUE COLLAR

 SERVICE

SOURCE: U. S. CENSUS

Many white-collar jobs are provided by the headquarters of large corporations. The number of firms among Fortune Magazine's list of the 500 top industrial corporations headquartered in New York City is one index of the City's economic strength..

In 1973, 103 of the Fortune 500 were located here. Its nearest competitor, Chicago, had 38 headquarter firms.

While several headquarters firms left the city in the 1963-73 decade, the rate of loss slowed down in 1973. A comparison of 1973 and 1963 firms shows that there were 23 firms listed in both years which in 1963 had New York City headquarters but which had moved out by 1973. Of these, 14 moved to other locations in the New York region.

New York also has a large proportion of the country's top 50 financial institutions.

	Number with New York Headquarters	Percent of top 50 Companies Nationally
Commercial Banks	10	20
Life Insurance Companies	7	14
Diversified Financial Institutions	14	28

# Earnings & Income

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The City's ability to provide workers with good earning opportunities is one of its great strengths. The fact that, relative to the rest of the country, the City and the region house more low-paying manufacturing jobs is in one sense a negative. But from another point of view, low-skill and moderate-skill jobs provide a needed employment resource for large segments of the City's population.

Many jobs in service, the most rapidly growing share of all private sector jobs, are lower paying than manufacturing jobs. While service jobs are also an entry level employment opportunity for low and moderately skilled entrants to the workforce, too heavy a distribution of jobs in this sector could tend to retard growth in average real income in the City.

While the earnings data are not available, growth of jobs in the Finance, Insurance and Real Estate sector is known to generate the greatest addition to tax revenues of any sector.

## EARNINGS AND INCOME

Wage levels in New York City for private sector employees compare favorably with other major cities.

### AVERAGE ANNUAL EMPLOYEE EARNINGS - 1973

#### FIVE LARGEST CITIES\*

New York City	\$ 9,732
Chicago	9,364
Los Angeles	8,741
Philadelphia	8,599
Detroit	10,605

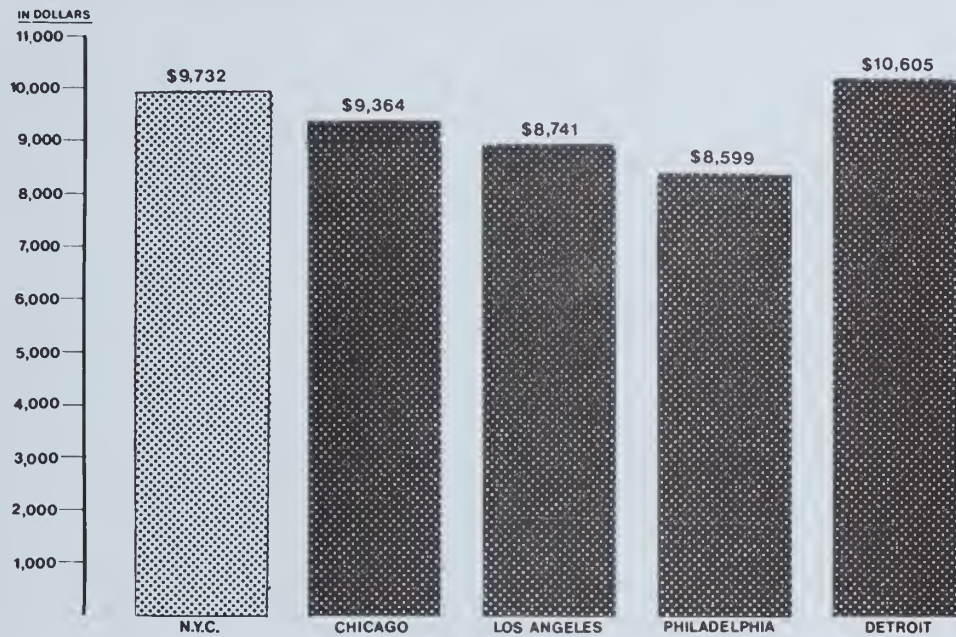
Earnings data available for selected sectors of the economy show the difference between earnings in the New York-Northeastern New Jersey region and the country as a whole.

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\* Source: County Business Patterns



# AVERAGE ANNUAL EMPLOYEE EARNINGS 5 LARGEST CITIES-1973



SOURCE COUNTY BUSINESS PATTERNS

AVERAGE WEEKLY EARNINGS SELECTED SECTORS,  
NEW YORK CITY AND U.S.A., 1963 AND 1973\*

(in 1973 constant dollars)

	1963		
	<u>New York</u>	<u>U.S.A.</u>	<u>Difference</u>
Manufacturing	\$144.59	\$144.61	-.02
Construction	240.07	184.61	55.46
Wholesale Trade	183.78	144.38	39.40
Retail Trade	123.30	90.95	32.35

	1973		
	<u>New York</u>	<u>U.S.A.</u>	<u>Difference</u>
Manufacturing	\$158.53	\$165.65	-7.12
Construction	310.64	240.68	69.96
Wholesale Trade	210.27	162.74	47.53
Retail Trade	124.29	95.28	29.01

The New York region, and New York City in particular, houses relatively low-paying manufacturing industries but in the other sectors local wages and earnings are higher than that of the nation as a whole.

The differential between New York and the nation in 1973 was considerably greater than in 1963, with the exception of the retail trade sector.

Family Income\*\*

Median family income in New York City is higher than the median for the nation.

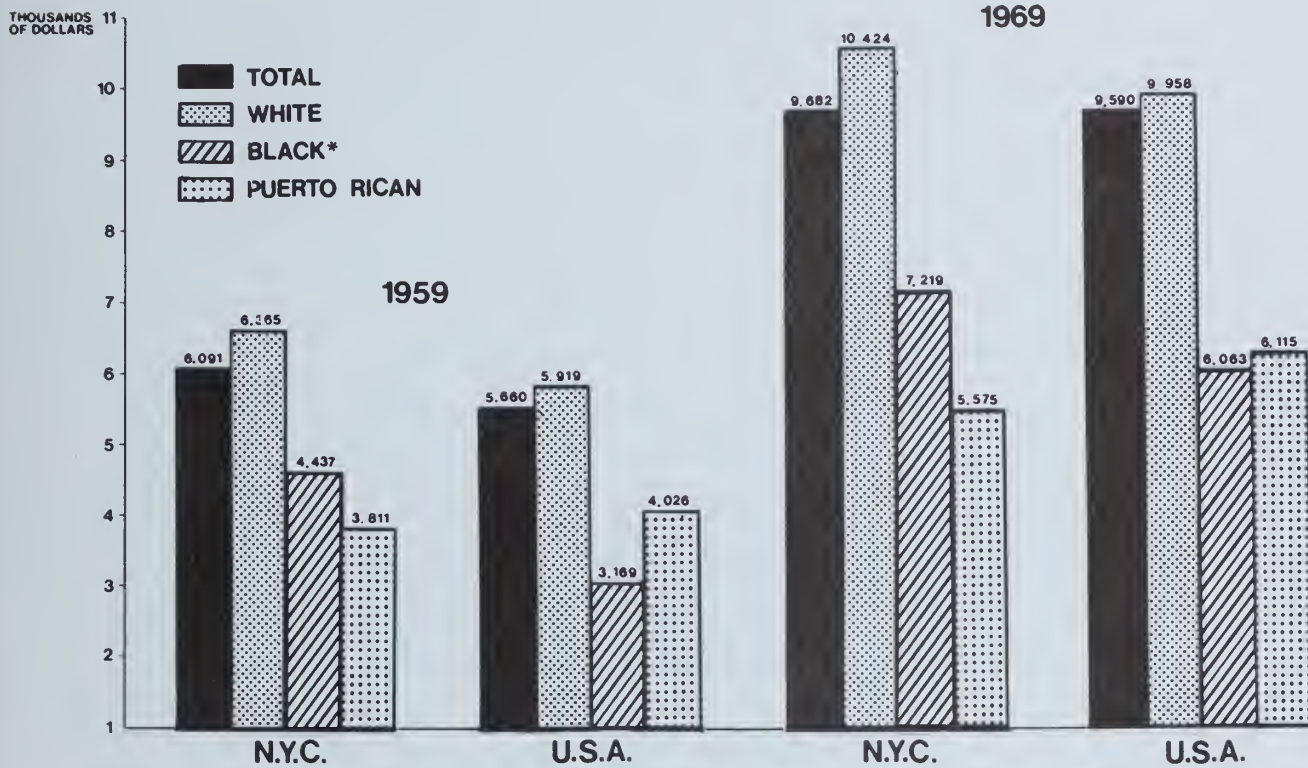
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\*Source: New York State Department of Labor, Bureau of Labor Statistics

\*\*Family income includes wage and salary income, business income, interest, dividends, transfer payments and rental income.



# MEDIAN FAMILY INCOME BY RACE



\* NON WHITE FOR 1959; BLACK FOR 1969  
SOURCE: U.S. CENSUS DATA

1969 Median Family Income\*

New York City:	\$9,682
U.S.A.:	9,590

The 1969 median income of New York City families was about average for major urban areas.

1969 Median Family Income\*

New York	\$ 9,682
Chicago	10,242
Los Angeles	10,535
Detroit	10,045
Philadelphia	9,366
Cleveland	9,107

Between 1959 and 1969 major racial and ethnic groups showed increases in income in New York City. Puerto Ricans had a smaller increase than the black or white population.

Median Family Income\*

	<u>1959</u>	<u>1969</u>	<u>Percent Increase</u>
Total	\$6,091	\$ 9,682	59.0
White	6,365	10,424	63.8
Black	4,437	7,219	62.7
Puerto Rican	3,811	5,575	46.3

\* Source: U.S. Census of Population

# Real Income

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If inflation bears out the forecasts and if after-tax income increases at the same rate as in recent years, New Yorkers, like most Americans, will face a real loss in purchasing power. Nevertheless, it is a sign of the relative stability of the regional economy, of which the City is an integral part, that the local inflation rate was over one percentage point below the national rate during 1974.

## REAL INCOME

In real terms, New York City incomes increased 23 per cent between 1959 and 1969.

The proportion of families at the lowest income level in 1959 and 1969 was the same in both years, while the proportion in the highest levels increased greatly over the decade.\*

Income data for the years since 1969 have not yet become available in a form that would permit comparison with Census data. However, earnings data compiled by the Bureau of Labor Statistics for selected sectors of the economy suggest the rate of change in real income during these years.

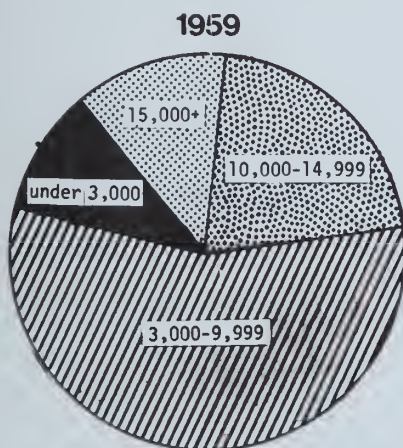
### PERCENTAGE CHANGE IN REAL EARNINGS, Estimated on the Basis of Bureau of Labor Statistics Earnings Data for Selected Sectors

	<u>Manufacturing</u>	<u>Construction</u>	<u>Wholesale</u>	<u>Retail</u>
<u>1969-1970</u>				
New York	-1.0	2.1	-1.4	-2.1
U.S.	-2.5	1.9	0.0	-1.0
<u>1970-1971</u>				
New York	1.2	7.0	-2.5	-0.1
U.S.	1.8	3.8	1.8	0.7
<u>1971-1972</u>				
New York	1.7	-0.3	0.1	-0.8
U.S.	5.4	2.3	2.3	1.4
<u>1972-1973</u>				
New York	-0.1	0.5	4.4	-0.9
U.S.	0.8	1.1	-0.8	-1.1
<u>Annual Average</u>				
New York	.4	2.3	0.1	-1.0
U.S.	1.3	2.2	0.8	0.0

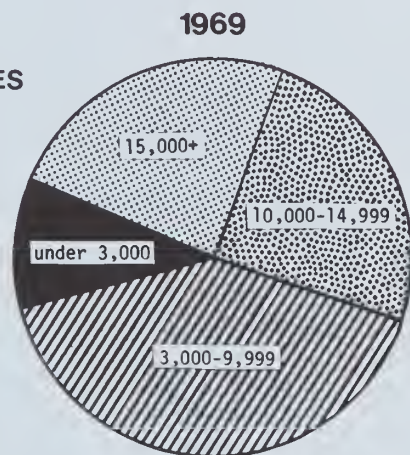
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\*Source: U.S. Census of the Population, 1970.

# DISTRIBUTION OF FAMILY INCOME 1959 and 1969 in (1969) constant dollars



PERCENT OF TOTAL FAMILIES		
	1959%	1969%
UNDER \$3,000	● 10.6	10.6
3,000-9,999	◊ 56.0	41.2
10,000-14,999	⊙ 21.1	24.5
15,000 +	⊗ 12.3	23.6
	100.0	100.0



## MEDIAN FAMILY INCOME

1959: \$7,893  
1969: \$9,682

SOURCE: U.S. CENSUS & NYC DEPT. OF CITY PLANNING

There was a net gain in real earnings over the four years 1969-73, despite losses in some sectors in some years. On an annual average basis, real earnings in New York City appear to have exceeded gains in the country as a whole in the construction trades, though by very little, and to have lagged behind the country in wholesale, manufacturing and retail sectors.

Assuming these data to be representative of the economy as a whole, New Yorkers would have registered a minimal real gain in purchasing power from 1969 through 1973, when the annual rate of inflation was less than six per cent. For 1974 real spendable earnings (total real earnings less income and social security taxes) declined by 5.4 percent among the nation's privately employed production and nonsupervisory workers. This is an indication of the probable loss of purchasing power of New York City residents during this inflationary period.

Annual Average Percentage Increase  
in Consumer Price Index, 1970-1974\*\*

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
New York-North- eastern New Jersey:	7.4	5.8	4.4	6.3	10.8
U.S.A.:	5.9	4.3	3.3	6.2	12.2

\*Source: Cost of Living Council

\*\*Source: Bureau of Labor Statistics



# Population—Labor Force

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New York City continues to offer employment opportunities and a chance for upward mobility for migrants. While fewer newcomers to the City arrive from other parts of the United States (including Puerto Rico) and northern Europe, a larger share now comes from Asia, South America, the Caribbean and southern Europe. The Chinese community is a rapidly growing segment of the City's population.

The racial-ethnic composition of the labor force in 1980 and beyond will be determined more by migration patterns than by natural population increase. The expectation is for an increasingly diversified workforce.



## POPULATION AND LABOR FORCE

Between 1960 and 1970 the population level of New York City remained stable.

### NEW YORK CITY POPULATION

<u>1960</u>	<u>1970</u>	<u>Per cent Increase</u>
7,781,984	7,894,862	1.5

Several other older major cities have lost population.

### POPULATION SHIFTS 1960-1970

	<u>Per Cent Change</u>	<u>1970 Population</u>
New York	+ 1.5	7,894,862
Chicago	- 5.2	3,366,957
Los Angeles	+13.6	2,816,061
Philadelphia	- 2.7	1,984,609
Detroit	- 9.5	1,511,482

The suburban counties of the New York-Northeastern New Jersey Standard Consolidated Area grew faster than New York City between 1960 and 1970.

### RATE OF POPULATION CHANGE, 1960-1970

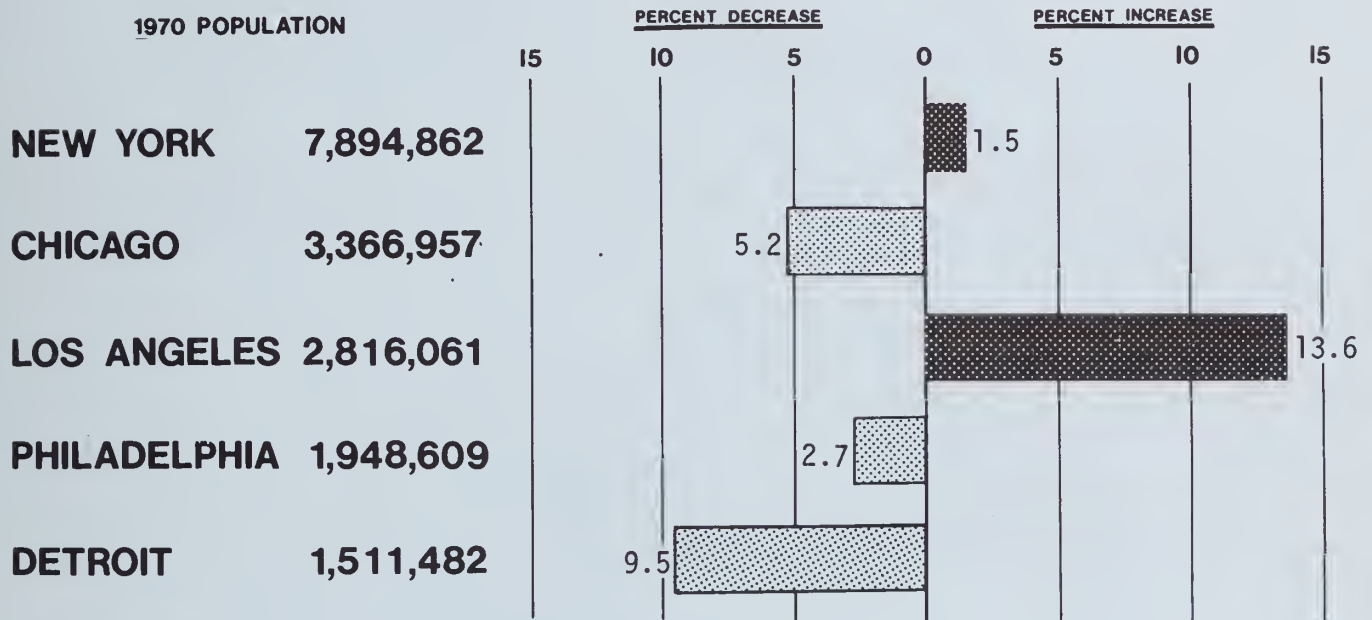
New York City:	1.5%
New York Standard Consolidated Area:	9.6%

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Source: U.S. Census of Population

# POPULATION SHIFTS 1960-1970

## 5 LARGEST CITIES



SOURCE: U.S. CENSUS

# RACIAL COMPOSITION 1960-1970

	<u>1960</u>	<u>1970</u>	<u>Per Cent Change</u>
Total	7,781,984	7,894,862	+ 1.5%
White	6,053,203	5,307,628	-12.3%
Nonwhite	1,116,207	1,775,391	+59.1%
Puerto Rican	612,574	811,843	+32.5%

The proportion of persons under 14 years old declined slightly while the proportion of young adults (15-24) and the elderly (64 and over) increased. The median age of the white population rose slightly between 1960 and 1970. The median age of nonwhite and Puerto Ricans declined.

## MEDIAN AGE BY RACE - NEW YORK CITY

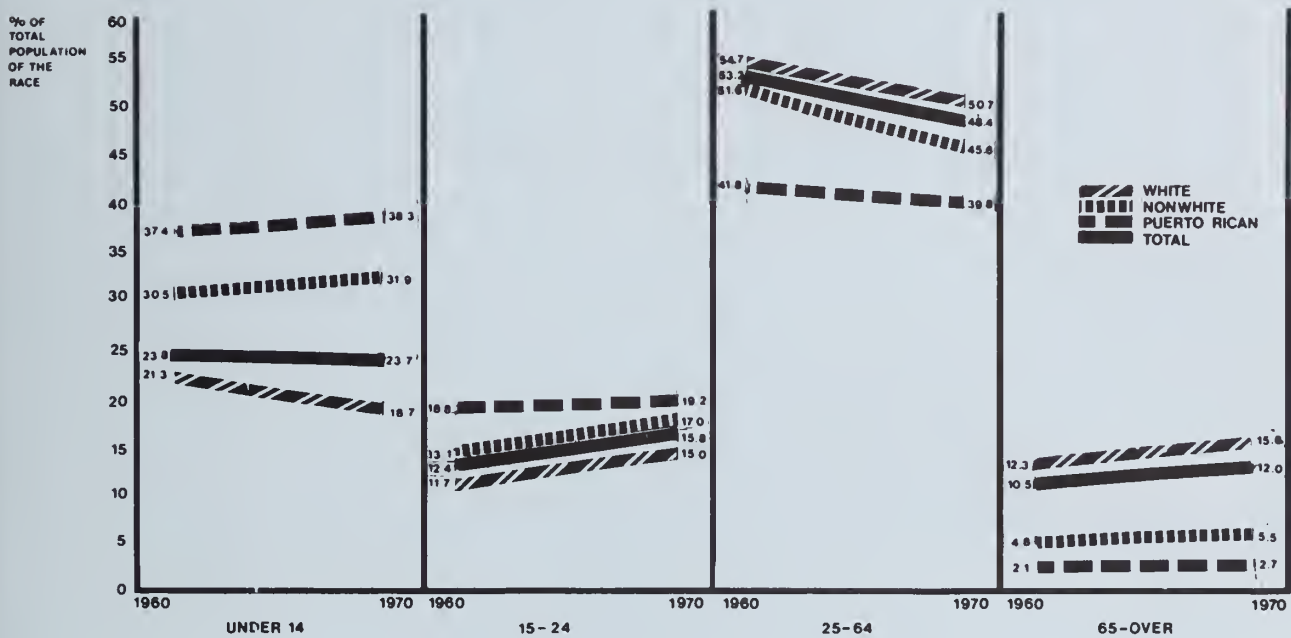
	<u>1960</u>	<u>1970</u>
Total	35.1 yrs.	34.5 yrs.
White	38.4 yrs.	38.7 yrs.
Nonwhite	29.1 yrs.	25.6 yrs.
Puerto Rican	21.9 yrs.	21.0 yrs.

---

Source: U.S. Census of Population

# N.Y.C. POPULATION BY AGE & RACE

SOURCE: U.S. CENSUS



POPULATION OF FOREIGN STOCK, THE UNITED STATES  
AND 10 LARGEST CITIES, 1970\*

	Total population (thousands)	Percent of Total Population		
		Foreign Stock	Foreign Born	Native of foreign or mixed parentage
United States	202,210.2	16.5	4.7	11.8
New York	7,894.8	41.9	18.2	23.7
Los Angeles	2,816.0	33.8	14.6	19.2
Chicago	3,362.9	29.7	11.1	18.6
Philadelphia	1,948.6	23.1	6.5	16.6
Detroit	1,511.3	22.6	7.9	14.7
Cleveland	750.9	21.9	7.5	14.4
Baltimore	905.8	11.1	3.2	7.9
Houston	1,231.6	10.1	3.0	7.1
Washington, D.C.	756.5	9.6	4.4	5.2
Dallas	844.3	7.3	2.1	5.2

Source: U.S. Census of Population, 1970

Of the ten largest cities in the country New York with 41.9 per cent ranks first in the proportion of its population of foreign stock.

BIRTHS PER THOUSAND POPULATION,  
NEW YORK CITY, 1960, 1970, 1972\*

	1960	1970	1972**	Difference in Birth Rates 1960-1972
Total	20.3	18.2	14.0	- 6.3
White	16.5	13.9	10.8	- 5.7
Nonwhite	30.7	25.9	20.6	-10.1
Puerto Rican	39.0	30.8	27.8	-11.2

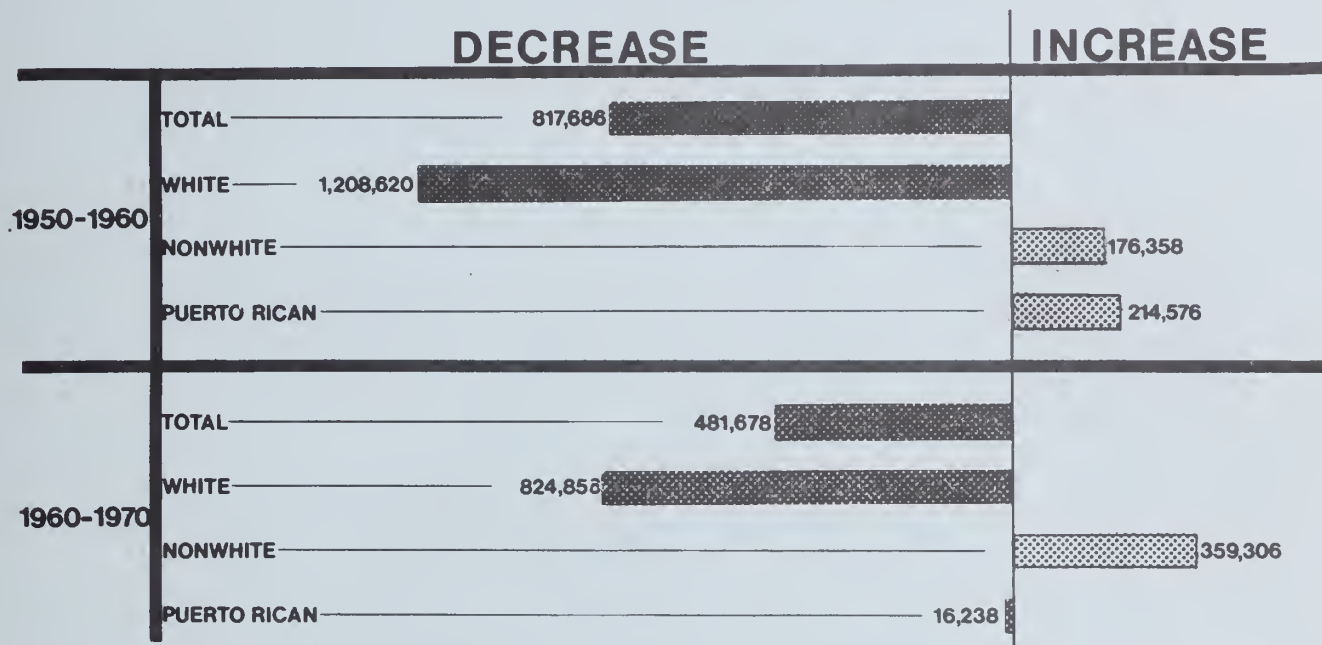
The trend in birth rates of New York's three major racial-ethnic groups will have a direct effect on the composition of the City's future population and workforce. Since 1960 all three of the City's racial-ethnic groups have shown marked declines in birth rates, paralleling a similar national trend. In absolute terms the declines are estimated to have been greatest among the City's nonwhite and Puerto Rican population.

\*Source: New York City Department of Health, New York City Department of City Planning, U.S. Bureau of the Census

\*\*Estimated

# NET MIGRATION — NEW YORK CITY

## 1950-1960 & 1960-1970



SOURCE: U.S. CENSUS, NYC DEPT. OF HEALTH, NYC DEPT. OF CITY PLANNING

During the 1960's the estimated net in-migration of blacks from Washington, D.C., Virginia, West Virginia, North Carolina and Georgia was 30,000. This represented about 27 per cent of the total 110,000 estimated net in-migration of continental blacks.

Of the foreign-born nonwhite in-migrants (about 139,000) 27 per cent were Asiatic, and half of these were Chinese. About 10,000 were African.

Continental Black migrants generally come to New York City from the South Atlantic states: Washington, D.C., Virginia, West Virginia, North Carolina, Georgia. During the 1960's the estimated net in-migration of blacks from these states was 30,000. This represented about 27 per cent of total 110,000 estimated net in-migration of continental blacks.

All major racial-ethnic groups in New York City showed increases in the level of education achieved between 1960 and 1970.

	Median Years of School Completed*	
	1960	1970
Total	10.5	11.5
White	10.7	11.7
Black	10.0	10.9
Puerto Rican	7.6	8.5

\*Source: U.S. Census of Population



# Business Index

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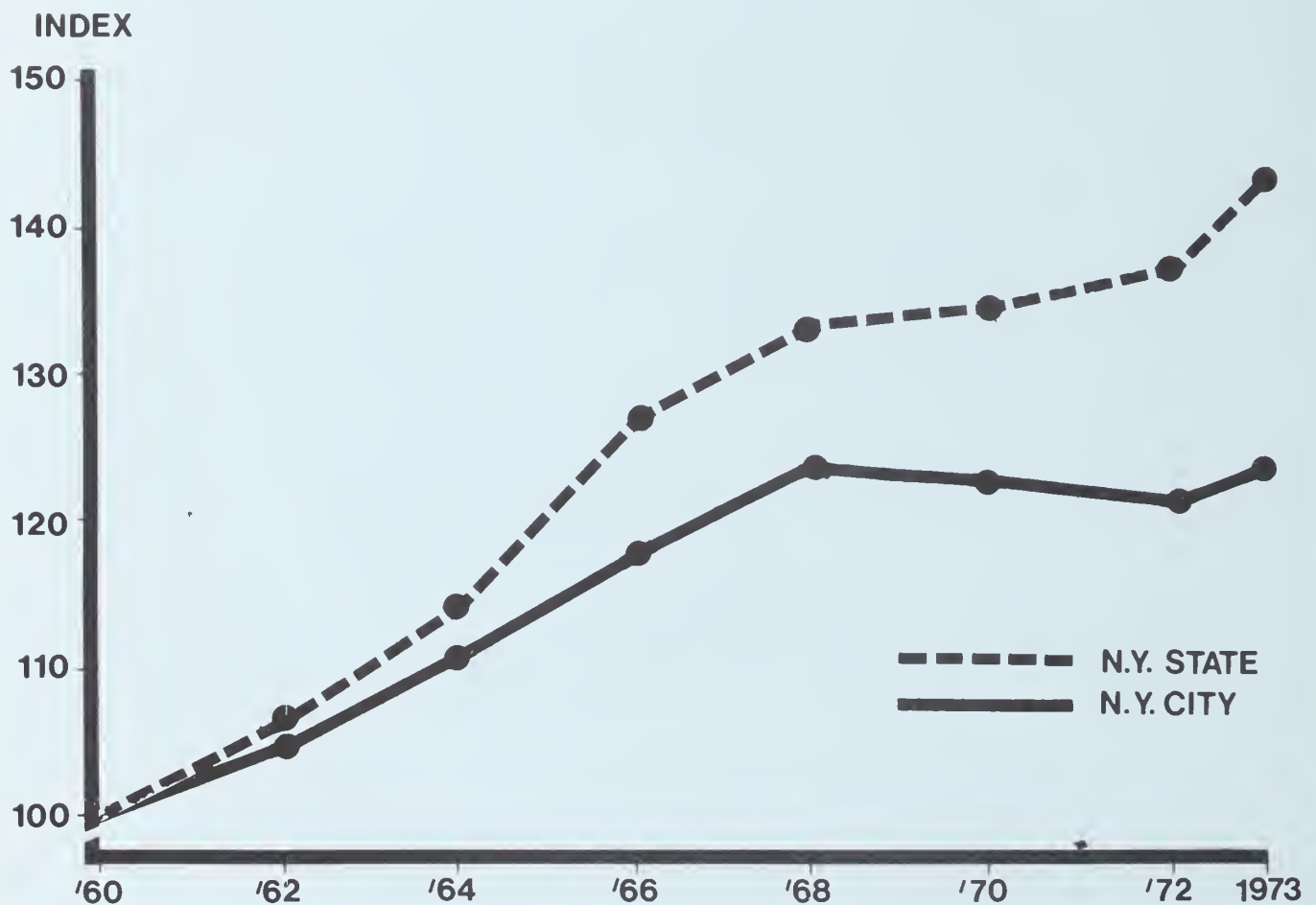
The output of the City's private sector, as measured by the Index of Business Activity, grew by almost 24 per cent from 1960 through 1973. Although this growth was substantial, it did not match New York State's growth which amounted to almost 44 per cent. Both the State and the City exhibited relatively high growth rates through 1968. With the national recession of 1969-1970, output stabilized in New York State and declined in New York City.

In 1973, the City's economy showed modest growth while the State's output accelerated, reaching an all-time high of 144 (based on 1960 = 100). The City at 124 in 1973 had yet to recover to its peak level of 125 registered in 1969. The effect of the subsequent national downturn during 1974 is reflected in an almost universal decline in the index for all counties of New York State as well as the City. By December 1974 the Index had declined to 142 for the State and 122 for the City.

# INDEX OF BUSINESS ACTIVITY

NEW YORK STATE-NEW YORK CITY 1960-1973

(1960 = 100)



SOURCE: N.Y. S. DEPARTMENT OF COMMERCE

# Tax Revenue

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Because the economic output of the City's private sector, as measured by the index of business activity, has shown little growth over the past few years, some of the economic base taxes which depend on the growth of the City's economy have not been able to keep pace with the City's growing revenue demands. Increased rates and the extension of the tax base have partially made up for the deficit in revenues.

## TAX REVENUE

Six of the city's tax types are generally considered economic base taxes: property tax, sales tax, personal and business income taxes, stock transfer tax and commercial occupancy tax. As the appropriate sectors of the city's economy expand, so too will the revenues from these taxes. Tax collections from 1971 and 1973 reflected the nationwide recession. To meet the expanding service needs of the city, rate increases were implemented during the 1969-1973 period for all of the economic base taxes except the stock transfer tax and the sales tax.\* These rate increases were combined with an extension of the taxable base for the sales tax and the personal income tax.

### INCREASE IN TAX REVENUES, ECONOMIC BASE TAXES

(in millions of dollars)  
1969-70 to 1972-73

	Total Change	Attributable to rate increase and extension of tax base	Attributable to growth**
Sales	\$ 84	33.3%	66.7%
Real Estate	688	72.5%	27.5%
Personal Income	234	68.8%	31.2%
General Corp.	45	97.8%	2.2%
Stock Transfer	4	N.A.	N.A.
Commercial Occupancy	73	68.5%	31.5%
TOTAL	\$1,128	61.3%	38.7%

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\*The City's rate increased 1 per cent in July 1973.

\*\*Uncorrected for inflation.

N.A. - not applicable. 96% of the growth was lost due to rate decreases.

Source: New York City Finance Administration, Fiscal Research Section.

In fiscal 1972-73, net revenues of economic base taxes totaled \$4,117 million. The rate of increase over the previous fiscal year was 9.4 per cent, which represented a real increase of about 8.8 per cent.\*

NET REVENUE: ECONOMIC BASE TAXES  
Fiscal Years 1972 and 1973\*\*

	<u>1972</u>	<u>1973</u>
Property Tax	\$2,097,817,732	\$2,345,774,464
Sales Tax	519,704,234	551,344,755
Personal Income Tax	443,159,740	439,559,403
Business Income Tax	375,112,710	367,996,643
Stock Transfer Tax	294,792,868	246,106,034
Comm. Occupancy Tax	<u>153,362,313</u>	<u>166,132,180</u>
	\$3,883,949,597	\$4,116,913,479

The greatest contributor to that increase was the property tax, for which receipts increased by 11.8 per cent.

Rough estimates have been made of the contribution of each sector of the economy to the City's tax revenues. On a per-job basis, Finance, Insurance and Real Estate (FIRE) yield the greatest revenue, while government and services contribute the least. Only .6 of a job in FIRE yields the same taxes as one job in manufacturing. One manufacturing job provides the equivalent in tax contribution of 1.11 service jobs.\*\*\*

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\*Using the Regional Consumer Price Index as deflator.

\*\*Comptroller's Report 1971-72, 1972-73.

\*\*\*Temporary State Commission to Make a Study of the Governmental Operation of the City of New York.





# Construction Industry

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The Construction industry is highly sensitive to national and local economic conditions. Given high interest rates and tight money, both construction loans and permanent financing -- when available -- are extremely costly. When the high costs of labor and materials are also considered, new buildings, especially in the residential sector, are priced above what most consumers of space can afford or are willing to pay. Federal government low interest loans are essential to keep rents down. City-sponsored urban renewal and industrial park programs have also aided the industrial sector. New city efforts to provide relief from the burden of rising costs are needed and must be developed.

Office construction tapered off as a result of overbuilding during the boom years of the 1960's and vacancies have not been absorbed due to the recession.

## CONSTRUCTION INDUSTRY

The construction industry employs a large number of workers at high wage levels. Because construction activity is cyclical in nature, contract construction employment in the City has always shown substantial fluctuations. During the 10 year period from 1965-1974 employment has generally remained above 100,000. Peak construction employment occurred in the early sixties, reflecting the large amount of private housing construction in that period. Current unemployment is estimated at from 15 to 20 per cent.

Rising construction costs have become critical.

### BUILDING CONSTRUCTION COST INCREASES NEW YORK CITY, 1965-1974

<u>Year Ending</u>	<u>Increase</u>
March 1966	+ 1.5%
" 1967	+ 3.9%
" 1968	+ 2.1%
" 1969	+ 2.9%
" 1970	+ 7.9%
" 1971	+ 8.0%
" 1972	+ 7.4%
" 1973	+11.6%
" 1974	+ 9.7%

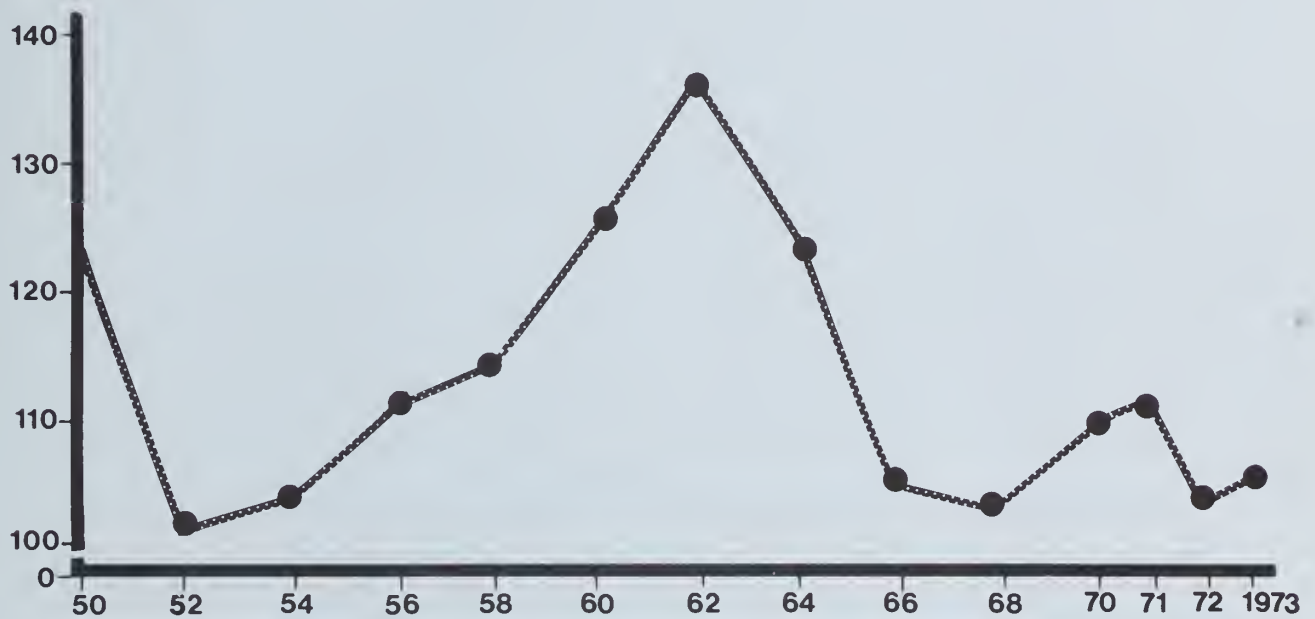
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Source: Dodge Construction Cost Index

# AVERAGE ANNUAL CONTRACT CONSTRUCTION EMPLOYMENT

NEW YORK CITY 1950-1973

EMPLOYMENT  
(THOUSANDS)



SOURCE: BUREAU OF LABOR STATISTICS

The yearly increase in construction costs in New York City averaged almost nine per cent between 1970 and 1974 compared to less than a three per cent average annual increase in the preceding four years.

Labor costs constitute an estimated 40 per cent of construction costs. Large annual increases in hourly earnings of contract construction workers of up to 13.9 per cent from 1968 through 1973 have been chiefly responsible for the escalation of construction costs. Until three years ago, when wage increases began to moderate, the growth in construction employee earnings was greater than earnings increases in most other sectors.

AVERAGE HOURLY EARNINGS OF EMPLOYEES  
IN CONTRACT CONSTRUCTION

New York City, 1968-1973

	<u>Hourly Earnings</u>	<u>Per Cent Increase From Previous Year</u>
1968	\$5.73	
1969	6.08	+ 6.1%
1970	6.72	+10.5%
1971	7.60	+13.9%
1972	8.02	+ 5.5%
1973	8.59	+ 7.2%

Construction material costs account for an estimated 60 per cent of the cost of building construction. Normally moderate, material cost increases have accelerated in recent years. In 1973 for the nation as a whole material cost increases in excess of nine per cent exceeded the growth in labor costs and thus were chiefly responsible for the total increased cost of construction.

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Source: New York State Department of Labor (Note: Includes overtime)

NATIONAL INDEX OF WHOLESALE PRICES  
OF CONSTRUCTION MATERIALS, 1969-1973

	Index	Per Cent Increase Over Previous Year
1969	111.9	
1970	112.5	+ .5%
1971	119.5	+ 6.2%
1972	126.6	+ 5.9%
1973	138.5	+ 9.4%

Total development cost includes both the cost of construction and the cost of obtaining a construction loan. Soaring interest rates for construction loans of 15 per cent per year and higher during much of 1974 were an added burden on the developer and, given weak market conditions, were a major depressant on the construction industry.\*

Carrying costs, including maintenance and operations, taxes, and permanent financing, have also risen precipitiously and are an additional deterrent to construction.

Because so many factors come into play, the extent of future construction cost increases can be only roughly anticipated. During the last decade increases in the hourly earnings of contract construction workers have generally exceeded cost of living increases. Because of relatively high construction unemployment, per cent increases in construction wages will probably fall short of the peak growth that occurred in 1970 and 1971. Material cost increases, having reached the highest level in recent history, have begun to moderate. Thus, indications are that construction cost increases in the next few years, although high, will be below recently achieved growth rates.

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Source: U.S. Department of Commerce

\*Since November 1974 the prime interest rate and all other associated rates have declined from their historic (1974) highs. Future reductions will depend on the policies of the Federal Reserve and on the severity of the national recession.

The annual volume of construction in New York City has declined over the past five years by 41 per cent.

#### BUILDING CONSTRUCTION IN NEW YORK CITY\*

(in thousands)

	Total Square Feet	Residential Square Feet	Non-residential Square Feet
1969	75,259	22,937	52,322
1970	43,693	18,468	25,225
1971	46,659	27,217	19,442
1972	52,900	31,988	20,912
1973	44,381	25,025	19,356

The annual volume of residential construction, bolstered by increasing public assistance, grew by about nine percent from 1969 to 1973; non-residential construction, affected primarily by a reduction of office construction, declined by 63 percent.

The cost per square foot of residential construction grew by about 50 percent in this five-year period. It is difficult to estimate changes in non-residential construction costs because of the great variation in costs by type of building. For example, warehouses cost as little as \$15 per square foot, hospitals cost \$60 per square foot.

With costs so high, private developers, both in the residential and non-residential sectors, are having difficulty bringing buildings to the market the public can afford to rent or buy. In housing construction direct government subsidies have become increasingly important. From 1961 through 1970 about one-third of all the housing units put up in the City were publicly assisted.

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\*Source: F.W. Dodge Corporation



In an effort to help the ailing private component of the housing sector, a tax abatement program for multiple dwellings was instituted by the City a few years ago. It is estimated that nearly two-thirds of all private multiple dwelling construction in 1973 -- about 2,000 units -- has taken advantage of this program. Even with this partial tax exemption new privately sponsored apartments must rent for between \$125 and \$175 per room per month, depending on the location, to provide a developer with a reasonable return. The market for housing at these rents is clearly limited.

## OFFICE CONSTRUCTION

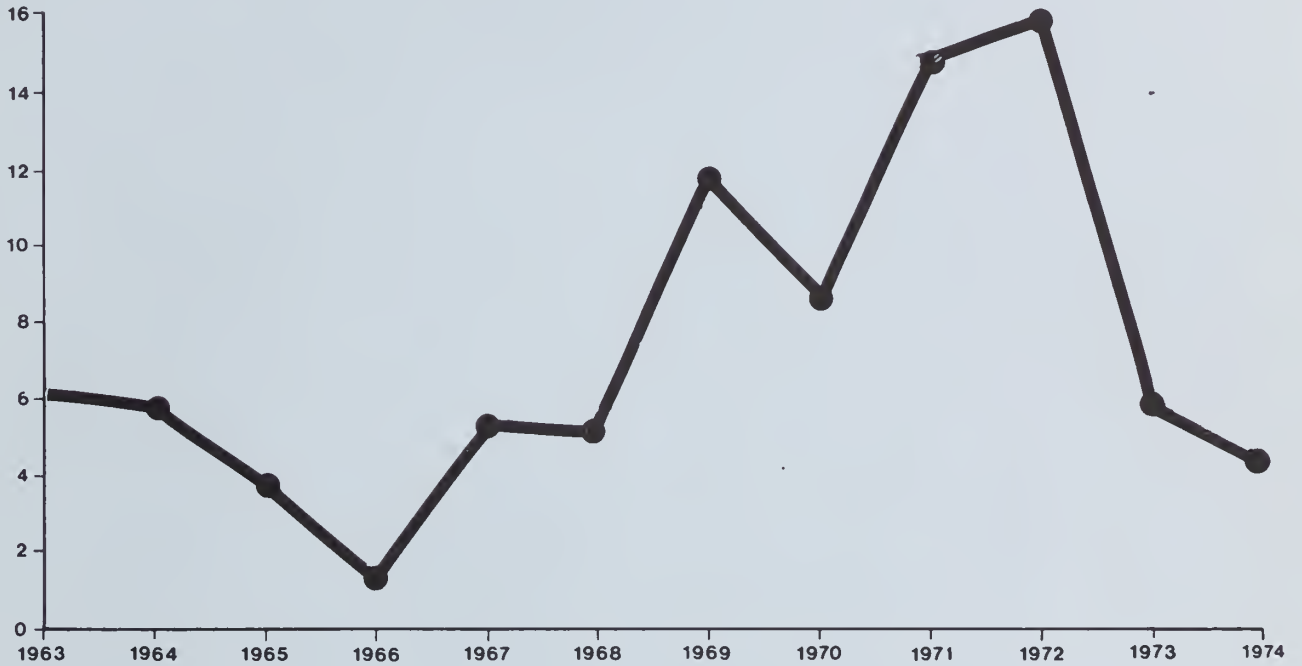
In the office sector the great building boom of the late sixties, which outpaced growth in demand, has resulted in an over supply of office space that has pushed rentals below the nine dollar per square foot break-even point. An estimated 30 million square feet of office space is vacant - about 11.5 percent of the total office supply. With low market rentals and the high cost of construction, there is little incentive for new office development.

The construction of manufacturing, storage and warehousing facilities, except for airport-related structures, has long been in a decline in the City. To a large measure this reflects high construction costs and high costs of land assembly. The City's industrial park and industrial renewal programs are an attempt to provide land at a reasonable cost. Although these programs are showing increasing success, new public efforts, such as a more equitable distribution of the tax burden, could make the City more attractive to industrial concerns and hence increase demand for industrial space.

# OFFICE CONSTRUCTION IN MANHATTAN

1963 - 1974

MILLIONS OF  
SQUARE FEET



SOURCE: THE NEW YORK TIMES





